

## iShip.com Background

Since April 15, 1998, iShip.com has been shipping packages over the Internet at the University of California – Santa Barbara for drop off at The Pulse Copy and Technology Center and shipping packages from iShip.com's headquarters. The iShip.com application is in its fourth Beta release and version 1.0 is scheduled for release in October 1998.

The application gives shippers the ability to pre-process their packages for shipment through a Web-browser on their PC and then physically take the package to a retail drop-off location or corporate mailroom for weight validation, label generation and drop off. Additionally, the application gives the shipper the option to have his package picked-up and be charged a pick-up fee or charge the package to his carrier account.

iShip.com offers shippers a compelling value proposition by giving them an easy-to-use application that allows them the ability to select from several carriers the most efficient way to ship, track and manage information about their packages all at a single Web site. iShip.com's four key customer messages are convenience, selection, low price and timely/accurate information:

Each of these market segments is profiled below with details on the implementation of the system through an iShip.com/Pitney Bowes ("PB") alliance. A summary of broad business terms and proposed schedule follows.

<b>Roll of the parties</b>	
<b>iShip.com provides</b>	<ol style="list-style-type: none"><li>1. Multiple rating engines for small parcel shipping</li><li>2. All thin client interfaces (Shipper, Admin, Drop-station)</li><li>3. Customer reporting</li><li>4. System administration</li><li>5. Package tracking</li><li>6. Package claims</li><li>7. Credit card capture</li><li>8. User account management</li><li>9. Secure log-on and transaction support</li><li>10. The Network Operations Center (NOC)</li></ol>
<b>PB provides</b>	<ol style="list-style-type: none"><li>1. Marketing to existing and prospective domestic SOHO and corporate customers through its various sales channels</li><li>2. Coordinated marketing to national retail chains for drop-off sites</li><li>3. Equipment (e.g. PCs, scales, label printers):<ul style="list-style-type: none"><li>• Installation, support, national sales/lease/finance/insurance, supplies and service</li></ul></li><li>4. Billing and payment handling</li><li>5. Training, where applicable</li></ol>
<b>Joint Development</b>	iShip.com will work with PB to integrate USPS rate engine and postal metering/scale interfaces. Joint development may also be needed for account billing management.
<b>PB SOHO without Carrier Account</b>	
<b>Structure</b>	<b>Drop-off:</b> <ol style="list-style-type: none"><li>1. Imbed iShip.com site in <a href="http://www.pb.com">www.pb.com</a> or link from <a href="http://www.pb.com">www.pb.com</a> to iShip.com (with integration into PB deployed postal metering systems)</li><li>2. Co-branded site</li><li>3. Billing by credit card</li><li>4. Phased drop-off locations:<ul style="list-style-type: none"><li>• Initially: drop-boxes, carrier customer counters, postal service centers (informal relationships)</li></ul></li></ol>

	<ul style="list-style-type: none"> <li>Later: add national retail chains and postal service center with formal relationships (payment at counter allowed)</li> </ul> <b>Call for Pick-up:</b> <ol style="list-style-type: none"> <li>Same</li> <li>Same</li> <li>Billing by credit card or pay carrier at pick-up</li> <li>Customer calls for pick-up and price reflects pick-up charge</li> </ol>
<b>Revenue Model</b>	<b>Transaction fee:</b> <ol style="list-style-type: none"> <li>Price of shipping includes iShip.com mark-up</li> <li>Mark-up will "compensate" iShip.com, PB, retail drop site (if necessary), credit card charges, iShip.com operating and OH expenses</li> <li>Equipment up-sale/lease/finance/insurance/supplies/service</li> <li>iShip.com reserves the right to advertise</li> </ol>
<b>PB SOHO with Carrier Account</b>	
<b>Structure</b>	<b>Pick-up (on daily pick-up route with standard rates):</b> <ol style="list-style-type: none"> <li>Imbed iShip.com site in <a href="http://www.pb.com">www.pb.com</a> or link from <a href="http://www.pb.com">www.pb.com</a> to iShip.com (with integration into PB deployed postal metering systems)</li> <li>Co-branded site</li> <li>Billing to PB account or directly to carrier account (?)</li> <li>Charges reflect iShip.com/PB rates vs. customer's custom rates (?)</li> </ol> <b>Drop-off (infrequent):</b> <ol style="list-style-type: none"> <li>Same</li> <li>Same</li> <li>Same</li> <li>Same</li> </ol>
<b>Revenue Model</b>	<b>Subscription Fee:</b> <ol style="list-style-type: none"> <li>Monthly fee for iShip.com/PB service: i.e. speed, convenience, record keeping, reporting, status tracking, e-mail, carrier comparisons</li> <li>Equipment up-sale/lease/finance/insurance/supplies/service</li> <li>iShip.com reserves the right to advertise</li> </ol>
<b>Enterprise</b>	
<b>Structure</b>	<ol style="list-style-type: none"> <li>Offered through <a href="http://www.pb.com">www.pb.com</a> and marketed to PB customers as part of the PB suite of mailing solutions</li> <li>Application would be co-branded</li> <li>Presumption is that corporate users would have Web-connected PC's on their desktops so the only sell would be hardware into the corporate mailroom, i.e. Web-connected PC, electronic scale and thermal label printer</li> </ol>
<b>Revenue Model</b>	<ol style="list-style-type: none"> <li>Annual site license</li> <li>Annual site license per seat</li> <li>Annual support charges</li> <li>Equipment sale/lease/finance/insurance</li> </ol>
<b>PC Postage Bundling</b>	
<b>Structure</b>	<b>SOHO and Enterprise:</b> <ol style="list-style-type: none"> <li>Offer bundled PC Postage/iShip.com solution</li> <li>Up-sale scale to handle more weight</li> </ol>

## Summary of Business Terms for iShip.com and Pitney Bowes Alliance

Subject	Summary Term
Parties	<p><b>iShip.com, Inc. ("iShip.com")</b>  Attn: Stephen M. Teglovic  President &amp; CEO  2515 140<sup>th</sup> Avenue Northeast, Suite E-110  Bellevue, WA 98005  Tel: 425.602.5011</p> <p><b>Pitney Bowes Inc. ("PB")</b>  Attn: William T. Shannon  Director, Business Operations  Small &amp; Home Office Division  35 Waterview Drive  Shelton CT 06484-8000  Tel: 203.924.3122</p>
PB Objectives	<ol style="list-style-type: none"> <li>1. Offer Web-based multi-carrier package shipping solution (formerly Personal Shipping System)</li> <li>2. Fast time-to-market...first mover advantage</li> <li>3. Capture large, virgin market share</li> <li>4. Satisfy current customer pent-up demand for Internet multi-carrier package shipping solution</li> <li>5. Offer additional services to existing customer base</li> <li>6. Create greater Internet image for PB</li> </ol>
iShip.com Objectives	<ol style="list-style-type: none"> <li>1. Provide the ultimate utility application on the Web by offering outstanding service and value</li> <li>2. Acquire large/leading market share as quickly as possible</li> <li>3. Build iShip.com brand</li> <li>4. Partner with channels that create fast market penetration and sizeable revenue generation</li> <li>5. Cost effectively acquire customers</li> </ol>
Term of Alliance	<p>This business alliance will have an initial term of twenty-four months, subject to renewals and earlier termination by either party for breach by the other.</p>
Revenue Sharing	<p>Revenue model for each market segment to be established prior to defining specific iShip.com/PB sharing arrangements</p>
Exclusivity	<p>The Parties agree that this alliance shall be a mutually exclusive arrangement with respect to the following alliances:</p> <ul style="list-style-type: none"> <li>• Hardware bundling at retail and corporate drop site locations</li> <li>• PB marketing into the corporate enterprise with an iShip.com shipping system</li> </ul>
Intellectual Property	<p>iShip.com will own all intellectual property developed by it relating to the shipping system and will provide PB with a non-exclusive license to use such intellectual property in connection with the operation of the system on its Equipment.</p>
Letter of Intent	<p>The Parties understand and agree that these summary terms are non-binding and will not be effective until a definitive agreement is</p>

	executed by the Parties and ratified by the Parties' respective management.
<b>Timing</b>	The Parties agree to execute a definitive agreement within 30 days of agreeing to the terms of a Letter of Intent.
<b>Action Items &amp; Schedule</b>	<ol style="list-style-type: none"> <li>1. Prioritize market segments to pursue based on speed of entry, ease of entry and profit potential (15 days)</li> <li>2. Finalize revenue model and revenue sharing (15 days)</li> <li>3. Finalize terms of alliance (30 days)</li> <li>4. Document terms of alliance (45 days)</li> <li>5. Coordinate technical implementation (60 days)</li> <li>6. Coordinate with marketing (60 days)</li> <li>7. Finalize pricing models, i.e. mark-ups (60 days)</li> <li>8. Coordinate with other iShip.com channel partners – portals (60 days)</li> <li>9. Launch product(s) (75 days – Nov. 1<sup>st</sup> before the Christmas rush)</li> <li>10. Can offer immediate "Compare Services" on <a href="http://www.pb.com">www.pb.com</a>, prior to package shipping and PB integration (builds brand, conditions customer) – (20 days)</li> <li>11. Soft launch vs. national launch (75 days)</li> </ol>